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UNCLAS SANAA 000146

SIPDIS

PLEASE PASS TO EB/IFD LARRY GREENWOOD, AND EB/IFD/OIA PAUL BROWN AND TIM HAUSER.

E.O. 12958: N/A

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SUBJECT: DONORS CALL FOR ROYG PARTICIPATION IN EITI, OTHER IMPROVEMENTS IN BUSINESS ENVIRONMENT

REF: A. 2005 SECSTATE 213244

[B.](#) 2005 SANAA 3610

¶11. On January 24, post participated in the second of a series of ROYG-donor dialogues on governance reform objectives. The meeting focused on measures to improve the business enabling environment in Yemen, and allowed the donors an opportunity to present specific reforms the ROYG could take in the next six months to help rebuild the confidence of foreign governments and international investors. (Ref B) Post was joined on the donor side by the U.N., World Bank, and the U.K. and Netherlands Embassies.

¶12. One of the primary donor recommendations was that the ROYG join the Extractive Industries Transparency Initiative (EITI) at the soonest possible opportunity, to encourage transparency in the Yemen's oil and natural gas sectors. (Ref A) Other reform proposals included reducing the time and cost of registering a business and streamlining customs procedures. ROYG officials stated their intention to submit an official application to join EITI in June of 2006.

¶13. U.K. representatives suggested that this timeline could be expedited and that the ROYG could undertake specific measures in the short term to demonstrate support for the initiative. Yemen could, for example, publish a letter of intent to the World Bank and IMF identifying Yemen's stakeholders in EITI, and could form a committee to increase understanding of the initiative. The ROYG responded that such a letter is already under study by the Cabinet, and the Prime Minister ordered the formation of an EITI committee. Cabinet endorsed participation in EITI as part of a reform program submitted separately by the World Bank.

¶14. COMMENT: Since Yemen's suspension from the Millennium Challenge Account Threshold Program, post has been looking for the ROYG to take specific actions to combat corruption and demonstrate its commitment to political and economic reform. Many reform and development programs in Yemen have stalled due to a lack of political will, and donor benchmarks are designed to test the ROYG's willingness to cooperate in key sectors. Participation in EITI is now one of the benchmarks post will use to measure progress in the coming months. END COMMENT.

Krajeski